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SECURITIES AND EXCHANGE COMMISSION

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Washington, D.C. 20549

Form 10-Q

Quarterly Report under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended March 27, 1992

Commission File Number 1-10790

Aerodyne Products Corporation

(Exact name of Registrant as specified in its Charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Delaware

04-2596252

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

76 Treble Cove Road, N. Billerica, MA

01862

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, including Area Code: (508) 663-7411

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file requirements), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

As of May 8, 1992, there were 1,984,965 shares of Common Stock of the Registrant outstanding.

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PART V. FINANCIAL INFORMATION
Item V. Financial Statements

ALCOBETH PRODUCTS CORPORATION
Balance Sheets

Assets	March 27, 1992	Sept 27, 1991
.....		
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$2,157,647	\$2,847,489
Trade accounts receivable, less allowance for doubtful accounts (see notes)	225,970	293,578
Cost and estimated earnings in excess of billings on uncompleted contracts	79,549	223,301
Inventory	413,014	304,641
Prepaid expenses and other current assets	65,646	8,936
Notes receivable from stockholder	20,000	20,000
		
Total current assets	2,961,826	3,697,945
		
Computer software costs	58,690	75,272
Property and equipment, net	151,761	83,711
Other assets	18,108	18,059
		
Total assets	\$3,190,385	\$3,874,987
		
Liabilities and Stockholders' Equity		
.....		
Current liabilities:		
Subordinated convertible note	0	5,000
Accounts payable	173,716	245,267
Accrued expenses	171,522	283,190
Notes payable to stockholder	0	100,000
Billings in excess of costs and estimated earnings on uncompleted contracts	79,081	236,430
		
Total current liabilities	424,319	869,887
		
Stockholders' equity		
Common stock, \$0.01 per value. Authorized 14,000,000 shares; issued and outstanding 1,984,965 shares	19,849	19,849
Additional paid-in capital	8,386,669	8,386,669
Accumulated deficit	(5,640,452)	(3,401,418)
		
Total stockholders' equity	2,766,066	3,005,100
		
Total liabilities and stockholders' equity	\$3,190,385	\$3,874,987
		

The accompanying notes are an integral part of these financial statements. These statements should be read in conjunction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION
Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 27, 1992	March 29, 1991	March 27, 1992	March 29, 1991
Contract revenue:				
Product assembly contracts	9334,821	9225,759	81,085,452	9579,977
Research and development contracts	14,588	37,717	44,627	54,363
Total contract revenue	349,409	263,476	1,130,079	634,340
Contract costs:				
Direct labor	87,778	81,155	168,798	172,379
Other direct costs	96,068	89,363	296,808	122,158
Overhead	66,646	31,485	152,408	108,158
General and administrative	19,735	11,633	44,699	33,023
Research and development	7,248	16,375	34,152	26,086
Total contract costs	277,475	210,011	696,865	441,804
Contract Profit	71,934	53,465	433,214	172,536
Operating expenses:				
Engineering	30,233	8,636	79,578	14,603
Product marketing and development	96,632	44,719	204,196	144,081
General and administrative	242,976	103,684	445,086	174,845
Total operating expenses	369,841	157,039	728,860	333,529
Operating loss	(297,907)	(103,574)	(295,646)	(160,993)
Other income (expense):				
Interest	19,077	(7,787)	50,157	(40,969)
Other	525		6,455	
Total other income (expense)	19,602	(7,787)	56,612	(40,969)
Net loss	(8278,305)	(8111,361)	(8239,034)	(8201,962)
Loss per share	(\$0.14)	(\$0.09)	(\$0.12)	(\$0.16)
Weighted average common shares outstanding	1,984,965	1,282,622	1,984,965	1,282,622

The accompanying notes are an integral part of these financial statements. These statements should be read in conjunction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION
Statements of Cash Flow

	Six months ended	
	March 27, 1992	March 29, 1991
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	(\$239,034)	(\$201,962)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	40,581	75,265
Change in assets and liabilities:		
Trade accounts receivable	67,608	173,370
Cost and estimated earnings in excess of billings on uncompleted contracts	143,752	26,688
Inventory	(108,373)	(99,116)
Prepaid expenses	(56,710)	1,805
Accounts payable	(71,551)	(92,173)
Accrued expenses	(111,717)	10,751
Billings in excess of costs and estimated earnings on uncompleted contracts	(157,349)	(56,195)
Net cash used for operating activities	(492,793)	(161,567)
	*****	*****
Cash flows from investing activities:		
Additions to property and equipment	(92,049)	(5,550)
Net cash used for investing activities	(92,049)	(5,550)
	*****	*****
Cash flows from financing activities:		
Payments on notes payable to bank	0	(82,271)
Proceeds from/payments on notes payable to stockholders	(105,000)	220,271
Proceeds from long-term debt	0	
Payment on note payable to related party	0	(10,500)
Net cash provided by (used for) financing activities	(105,000)	127,500
	*****	*****
Net decrease in cash	(689,842)	(39,617)
Cash and cash equivalents, beginning of period	2,847,489	70,328
Cash and cash equivalents, end of period	\$2,157,647	\$30,711
	*****	*****

The accompanying notes are an integral part of these financial statements. These statements should be read in conjunction with the Company's most recent audited financial statements (see footnote 2).

AERODYNE PRODUCTS CORPORATION

Notes to Condensed Consolidated Financial Statements

1. Nature of Business

Aerodyne Products Corporation designs, assembles and markets high technology products for three product lines: automated surface inspection systems, electro-optical sensors and instruments, and a family of industrial computers and related products. The Company's surface inspection systems are automated visual inspection systems for detecting surface flaws in a range of industrial materials produced by a web process, using video image analysis technology.

2. Basis of Presentation

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments which are necessary to present fairly the financial position as of March 27, 1992, the results of operations for the three months ended March 27, 1992 and March 29, 1991 and the results of operations and cash flows for the six months ended March 27, 1992 and March 29, 1991. Certain information and footnote disclosures normally included in the annual financial statements, which are prepared in accordance with generally accepted accounting principles, have been condensed or omitted. Accordingly, the Company believes that although the disclosures are adequate to make the information presented not misleading, the financial statements should be read in conjunction with the Company's Form 10K for the fiscal year ended September 27, 1991. The results of operations for the three month and six month periods reported are not necessarily indicative of those that may be expected for the full year.

3. Amdex Acquisition

In November 1991, the Company acquired certain assets and assumed certain liabilities of Amdex Corporation ("Amdex") for a total purchase price of \$87,457, which was paid in cash. Amdex is an assembler of personal computer-based industrial computers. In addition, the Company entered into an employment agreement with the president of Amdex. Net sales of Amdex products for the quarter ended March 27, 1992 were \$84,932.

Item 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Results of Operations

Three Months Ended March 27, 1992 Compared to Three Months Ended March 29, 1991

The Company had net revenues for the three month period ended March 27, 1992 of \$349,409, compared with \$263,476 for the corresponding period in the prior year. Sales to the U.S. Government, and revenues from sales of photographic and Research and Development (R&D) contracts accounted for \$62,328 for the three months ended March 27, 1992 as compared to \$46,083 for the three months ended March 29, 1991. Sales of industrial inspection equipment were \$202,149 for the three months ended March 27, 1992, compared with \$217,393 for the corresponding period in the prior year. In addition, the Company shipped \$84,932 of industrial computers during the quarter ended March 27, 1992.

As of April 24, 1992, the Company's backlog had decreased to \$350,478 from \$717,188 at April 26, 1991. The decline in backlog is due primarily to a \$300,405 decrease in government research and development (R&D) contracts.

The Company generated a contract profit margin of 20.6% in the three months ended March 27, 1992 compared to a contract profit margin of 20.3% for the three months ended March 29, 1991. The Company expects margins to improve as sales volume increases.

Operating expenses for the three months ended March 27, 1992 were \$369,841 (106% of net revenues) as compared to \$157,039 (60% of net revenues) for the three months ended March 29, 1991. This represents a \$212,802 increase which can be attributed primarily to increases in general and administrative costs associated with being a public company, to increases in engineering costs, and to increased spending on sales and marketing. Approximately \$105,000 was spent in the three months ended March 27, 1992 for financial public relations, financial consulting services, preparation and printing of the Company's Form 10-K and annual report, and hiring a full time financial controller and chief financial officer. In addition, the Company invested a total of \$107,000 to develop product enhancements for the industrial inspection product line, to open a new sales office, to develop international sales channels and to evaluate possible acquisition candidates.

The Company earned \$19,077 of net interest income for the three months ended March 27, 1992 compared to \$7,787 of interest expense for the corresponding period of the prior fiscal year. This change is attributable to interest earned on the proceeds received from the Company's initial public offering and to the repayment of the Company's outstanding debt.

Six Months Ended March 27, 1992 compared to Six Months Ended March 29, 1991

The Company had net sales for the six months ended March 27, 1992 of \$1,130,079, compared with \$634,340 for the prior year. Sales to the U.S. Government and revenues from photographic and R&D Contracts were \$180,526 for the six months ended March 27, 1992 as compared to \$274,945 for the six months ended March 29, 1991. Sales of industrial inspection equipment were \$796,376 for the six months ended March 27, 1992 as compared to \$359,395 for the six months ended March 27, 1991. In addition, the Company shipped \$153,177 of industrial computers during the six months ended March 27, 1992.

The Company achieved a contract profit margin of 38.3% of net revenues in the first six months ended March 27, 1992 compared with a margin of 27.2% for the corresponding period of 1991. This difference was due primarily to increased margins associated with inspection systems sold to one key customer.

Operating expenses for the six months ended March 27, 1992 were \$728,860 (64% of net revenues) compared to \$333,529 (53% of net revenues) for the six months ended March 29, 1991. This represents a \$395,331 increase which occurred principally as a result of increases in general and administrative costs associated with being a public company, increases in engineering and increases in sales and marketing efforts. Approximately \$180,000 was spent in the six months ended March 27, 1992 for financial public relations, financial consulting services, hiring a full time financial controller and chief financial officer, and increased legal costs. In addition, the Company invested a total of \$214,000 to develop product enhancements for the industrial inspection product line, to open a new sales office, to develop international sales channels and to evaluate possible acquisition candidates.

The Company earned \$50,157 net interest income for the six months ended March 27, 1992 compared to \$40,969 of interest expense for the corresponding period of the prior fiscal year. The change is attributable to interest earned on the proceeds received from the Company's initial public offering and to the repayment of the Company's outstanding debt.

Liquidity and Capital Resources

The Company's primary source of liquidity at March 27, 1992 consisted of \$2,157,647 of cash and cash equivalents (certificates of deposit). The decrease in cash during the period ended March 27, 1992 of \$689,842 resulted from an increase in cash used for operations (principally to finance increase in inventory and decreases in accounts payable and accrued expenses) equipment purchases and the repayment of \$105,000 of debt. Funding requirements for the Company's operations are expected to be met from the Company's cash position and from future operations. The Company believes that inflation has not had a material effect on the results of its operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any legal proceedings as of the date of this report.

Item 2. Change in Securities

(a) Not applicable

(b) Not applicable

Item 3. Default Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on March 10, 1992. At the Annual Meeting, the Stockholders elected Gerald W. Stewart, Robert J. Borel, Howard Davidoff, Vincent A. Fulmer and Arthur Jenkins to the Board of Directors, each to serve until the next Annual Meeting and until their successors have been elected and shall have qualified.

In addition to the members of the Board of Directors, the Stockholders ratified and approved the adoption of the Company's 1991 Stock Option Plan and ratified and approved the selection of the firm KPMG Peat Marwick as independent auditors of the Company for the fiscal year ending September 25, 1992. There were 1,311,158 shares voted in favor of the adoption of the 1991 Stock Option Plan and 3,700 shares voted against such adoption. There were 1,899,455 shares voted in favor of the ratification and approval of the selection of KPMG Peat Marwick and no shares voted against said ratification and approval.

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports of Form 8-K

(a) Not applicable

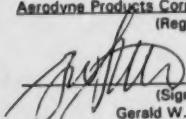
(b) A Form 8-K Report dated February 25, 1992 was filed by the Company to report that Aerodyne Products Corporation and Intec Corp. had signed a letter of intent to merge Intec Corp. with a wholly-owned subsidiary of Aerodyne.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

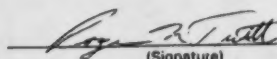
5/8/92

Aerodyne Products Corporation
(Registrant)



(Signature)
Gerald W. Stewart
Chief Executive Officer

5/8/92



(Signature)
Roger N. Tuttle
Chief Financial Officer